Health Reimbursement and Health Savings Accounts

The following accounting guidance should address the various situations that districts have incurred with Health Reimbursement Accounts (HRAs) and Health Savings Accounts (HSAs).

These arrangements are typically provided to employees as part of a current health benefit plan or as a retirement benefit if certain conditions are met. Therefore, these transactions might be accounted for under Fund 73 (if the district's Benefit Trust Fund includes them), as an irrevocable account in the District's governmental funds for HRAs (10, 21, 27, 50, 80, 90s) or a direct expenditure to the district.

District contributions to HRAs are recorded as an expenditure when funded by the District into an irrevocable account. If no irrevocable account exists, only the exact medical costs should be recorded as an expenditure by the district. HSA accounts are employee owned and not reflected on the districts books after the expenditure to the HSA account.

Employee Benefit Trust Fund Transactions

1)-Health Reimbursement Accounts and Health Savings Accounts established to fund the district's Other Post Employment Benefit (OPEB) liability, as valued in the actuarial study. The amount for the Health Savings Accounts is for future payments to an HSA, not a payment to an HSA to be used currently.

> The district should record the contribution expenditure using object 218 in the governmental funds. Source 951 would be used in Fund 73. These benefits are included in a district's actuarial study.

> **a)-District's contribution to the trust fund for the Other Post Employment Benefit.**

> | | | |
> |---|---|---|
> | **XXE XXXXXX-218** | **xxxx** | |
> | **XXB 711000** | | **xxxx** |
> | | | |
> | **73B 711000** | **xxxx** | |
> | **73R 951** | | **xxxx** |

> **b)-Payment of retirement benefits.**
> | | | |
> |---|---|---|
> | **73E 420000-991** | **xxxx** | |
> | **73B 711000** | | **xxxx** |

2)-Health Reimbursement Accounts established to the trust fund for the district's Defined Contribution HRA plan for an employee's future retirement.

> Defined Contribution Plans are where the annual contribution is specified and amounts are set aside into employee accounts. These contributions are <u>not</u> valued in the OPEB study as part of GASB 45. These contributions should be coded to the active employee functions and are eligible for categorical aid.

a)-District's contribution to fund the Defined Contribution HRA plan.

        XXE XXXXXX-219   **xxxx**
        XXB 711000   **xxxx**

        73B 711000   **xxxx**
        73R 955   **xxxx**

b)-Payment of retirement benefits.
        73E 420000-993   **xxxx**
        73B 711000   **xxxx**

3)-Health Reimbursement Accounts established under a trust agreement to provide for employee's current medical expenditures.

The district should record the contribution expenditure using object 249 in the governmental funds. Source 955 would be used in Fund 73. Expenditures would be recorded in Fund 73 using account 420000-993.

a)-District's contribution to the trust fund for the current HRA account.

        XXE XXXXXX-249   **xxxx**
        XXB 711000   **xxxx**

        73B 711000   **xxxx**
        73R 955   **xxxx**

b)-Payment of current medical expenditures.

        73E 420000-993   **xxxx**
        73B 711000   **xxxx**

4)-Health Reimbursement Accounts established under a trust agreement to provide for retiree's current (pay as you go) medical expenditures.

The district did not prefund these benefits while the individuals were employed. The costs are paid from the district into a trust when retiree benefit is due.

a)-District's contribution to the trust fund for the current HRA account.

        XXE 292000-290   **xxxx**

XXB 711000 xxxx

73B 711000 xxxx
73R 955 xxxx

b)-Payment of current medical expenditures.

73E 420000-993 xxxx
73B 711000 xxxx

Irrevocable Account Transactions--HRAs

5)-Health Reimbursement Accounts contributed to an irrevocable account to provide for employee's current medical expenditures.

The district should record the contribution expenditure using object 249 and the employee's current function and fund in the governmental funds. The district should also record the cash or investment account and the related liability account on the district's general ledger. A special deposit account should be used to record the monies held in deposit for the HRAs in the irrevocable account. DPI recommends account 815200 in the general fund. No revenue is recorded for forfeitures. The forfeiture will reduce the amount of the contribution (expenditure) in the future year. This will never be recorded as revenue back to the district.

a)-District's contribution to the irrevocable account to fund the plan.

XXE XXXXXX-249 xxxx
XXB 711000 xxxx

b)-Monies held in deposit for plan participants for amounts not fully vested.

XXB 711000 xxxx
XXB 815200 xxxx

6)-Health Reimbursement Accounts contributed into an irrevocable account to provide for an employee's _future_ retirement benefit.

The district should record the contribution expenditure using object 219 in the governmental funds. The district should also record the cash or investment account and the related liability account on the district's general ledger. A special deposit account should be used to record the monies held in deposit for the HRAs in an irrevocable account. DPI recommends account 815200 in the general fund. No revenue is recorded

for forfeitures. The forfeiture will reduce the amount of the contribution (expenditure) in the future year. This will never be recorded as revenue back to the district.

a)-District's contribution to the irrevocable account to fund the plan.

XXE XXXXXX-219   xxxx
XXB 711000   xxxx

b)-Monies held in deposit for plan participants for amounts not fully vested.

XXB 711000   xxxx
XXB 815200   xxxx

HRA transactions assuming no Trust Fund or Irrevocable Accounts

7)-Pay HRA Medical Claims as incurred for current employees

District payments for actual medical expenditures using HRAs should be coded to Object 249 and the employee's current fund and function would also be used to record these expenditures.

a)-Payment of actual medical expenditures through an HRA.

XXE XXXXXX-249   xxxx
XXB 711000   xxxx

8)-Contributions to an HRA for retirees

Contributions for retirees HRA accounts funded on a pay as you go basis would be accounted for as an expenditure using Object 290 Function 292000.

b)-Payment of HRA for retirees on the pay as you go method.

XXE 292000-290   xxxx
XXB 711000   xxxx

HSA transactions not pre-funded through the OPEB trust

9)-Contribute to an HSA for current employees

District payments for actual medical expenditures using HSAs should be coded to Object 249 and the employee's current fund and function would also be used to record these expenditures.

a)-Payment to HSA for current employees.

XXE XXXXXX-249   **xxxx**
XXB 711000   **xxxx**

10)-Contribute to an HSA for retirees

Contributions for retirees HSA accounts funded on a pay as you go basis would be accounted for as an expenditure using Object 290 Function 292000.

a)-Payment of HSA for retirees on the pay as you go method.

XXE 292000-290   **xxxx**
XXB 711000   **xxxx**

11)-Contributions to an HSA by retirees

Contributions made by retirees into their individual HSA accounts would be made directly to the HSA third party administrator and would not be accounted for by the School District.

Please contact the School Finance Team at DPI if your district is using a Health Reimbursement Account or Health Savings Account for any other purpose.

Original Version: 2/6/13
Updates: 2/19/13, 4/4/13, 4/15/13, 6/5/13
Current Version: 3/26/13 - to strengthen the fact that a contribution must be to an irrevocable account to be counted as an expenditure in the year of the contribution for examples 1-6.